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Pipeline Project Had Its Beginning Four Years Ago

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WASHINGTON, Aug. 12 — A proposal to build an oil pipeline across the midriff of Africa that eventually was promoted by Senator Mark O. Hatfield began to take shape about four years ago when Basil A. Tsakos, a Greek businessman, sought to interest officials of the United States Government in the project, according to one of his former associates.

Carl L. Shipley, the former president of the Trans-Africa Pipeline Corporation, said in response to questions over the weekend that Mr. Tsakos had at one point hoped to obtain $100 million in American Government financing for the pipeline, which then was estimated to be a $6 billion project. The pipeline cost is now estimated at over $10 billion.

The question of whether United States Government funds were to be sought could be important in an investigation begun last week by the Justice Department of Mr. Hatfield's association with Mr. Tsakos. Mr. Hatfield has said that $40,000 his wife received from the Greek businessman was for real estate work and was unrelated to his promotion of the pipeline. A key question in the investigation is whether Mr. Hatfield was in a position to perform an "official act" in behalf of the pipeline project.

Private Financing, Tsakos Says

In a public statement issued last week, Mr. Tsakos said the project would be financed entirely with private funds.

An article in Platt's Oilgram News, an industry newsletter, on July 24 quotes Abdul Rahman al-Tilib, the director of the Sudanese General Petroleum Administration's pipeline division, as saying that European Economic Community countries as well as the United States were expected to participate in financing the project.

Mr. Shipley provided some details about the project when asked to confirm statements made by other former close associates of Mr. Tsakos. The associates did not wish to be identified.

Mr. Shipley said plans called for oil from Saudi Arabia to be taken from the port of Yanbu al Bahr by ship across the Red Sea to a Sudanese port, presumably Port Sudan, where the pipeline would begin. The pipeline would then go through the Sudan, the Central African Republic and Cameroon, terminating at the port of Douala.

Agreements with 3 Countries

The company has in recent months has succeeded in signing exclusive agreements for transit rights with the Sudan, the Central African Republic and Cameroon.

He said plans called for the line to carry about 4 million barrels a day.

According to Mr. Shipley, who is a partner in the Washington law firm of Shipley, Smoak & Henry and a former Republican national committeeman, Mr. Tsakos first appeared in Washington in 1980, when he went to Financial General Bankshares seeking the bank's help in promoting his plans for the oil pipeline.

Mr. Shipley was then special counsel to the chairman of the bank, J. William Middendorf 2d, Secretary of the Navy from 1974 to 1977 who became finance chairman of President Reagan's inaugural committee and chairman of his transition group focusing on the intelligence community. Mr. Mittendorf is now the Ambassador to the Organization of American States. The bank has since been bought out and has a new management.

In return for the bank's help, Mr. Shipley said, "Mr. Tsakos indicated that he would use the bank's facilities for large deposits and loans as the project developed."

He said Mr. Tsakos had first made contact with a vice president of the bank, Robert Ferneau, who had been deputy assistant secretary of the Navy under Mr. Middendorf.

"At the time, Mr. Tsakos said he had adequate financial support through the Banque de Luxembourg but did not provide details," Mr. Shipley said.

Subsequently, Mr. Shipley said, Mr. Tsakos "changed his position and said he hoped the United States or some of its agencies would provide $100 million toward the project in view of the very significant economic and national defense benefits the project might offer."

To establish Mr. Tsakos's business base in Washington, Mr. Shipley said, the Trans-African Pipeline Corporation was organized. Mr. Shipley was named president and a member of the board of directors. He said the other directors, besides Mr. Tsakos, were Mr. Ferneau and Joseph Rosenbaum, a lawyer.

Mr. Shipley said, "We immediately began bringing the project to the attention of various Government agencies, including the State, Commerce and Defense Departments, as well as the Central Intelligence Agency, and the White House."

"We assumed that the various Government agencies would want details on a potential project which would reduce the cost and delivery time for oil from Saudi Arabia to be transported to the United States as well as NATO countries of Western Europe," Mr. Shipley said.

"As the level of interest of the various Federal officials developed, Mr. Tsakos was asked by officials of the State Department for more details regarding financing to make sure the money was coming from acceptable business sources," Mr. Shipley said.

There was concern, Mr. Shipley said, that the money not come from foreign governments, their agents or terrorist organizations, or from illegal enterprises.

"At this point, Mr. Tsakos indicated he was disinclined to provide the necessary financial information or any further details about his personal business associations," Mr. Shipley said.

Mr. Shipley said that he withdrew from the project more than a year ago after receiving information about Mr. Tsakos. Mr. Ferneau and Mr. Rosenbaum also withdrew.

By this time, Senator Hatfield had become interested in the pipeline and had joined in efforts to help promote it, extolling it in conversations with the Sudanese President, Gaafar al-Nimeiry, and Energy Secretary Donald P. Hodel.

He also provided Mr. Tsakos with a letter providing a favorable view of the project, according to copies of the letter obtained by The New York Times.

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Mr. Shipley said officials of Rockwell International and Morrison-Knudsen, a contracting company, had been involved in the planning stages of the pipeline and sent representatives to Germany with Mr. Shipley for meetings with the Thyssen Company, a potential equipment supplier.

George M. Seignious 2d, who had been director of the Arms Control and Disarmament Agency under President Carter, also attended the meeting, Mr. Shipley said. He explained that Mr. Seignious had been made president of Trans-African Pipeline Ltd., which had been established as an affiliate of the pipeline for administrative purposes.

After Mr. Shipley, Mr. Ferneau and Mr. Rosenbaum resigned, a Rockwell vice president, Thomas Campobasso, and a vice president of Morrison-Knudsen, Richard Barfield, along with William Gifford, a former assistant secretary of the Treasury and former representative of the Bechtel Corporation, took places on the board.

All three men have confirmed that they served on the company's board, but have since resigned as well.